

# *The* **Management** **REVIEW**



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**COMMENT • DIGEST • REVIEW**

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## **THE AMERICAN MANAGEMENT ASSOCIATION**

The American Management Association is composed of industrial and commercial companies and executives interested in modern management. The AMA makes no profit, does no lobbying, and advances no propaganda. Its interests are solely the solution of current business problems.

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The object of the publications of the American Management Association is to place before the members ideas which it is hoped may prove interesting and informative, but the Association does not stand sponsor for views expressed by authors in articles issued in or as its publications.

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March, 1938

**I**F you are an executive, for heaven's sake don't overwork. Too much work is bad for anybody, but for executives it means failure—physically, financially, mentally. Don't think that every job of detail is yours. Don't sharpen pencils, stuff envelopes, or do any of the other "pin-straightening" tasks. You're hired to get work done. Successful executives take a day off now and then, and don't go in for overtime.

This advice, which is based on the abstract *A Good Executive Doesn't Overwork!* (page 79), may be old stuff to some executives; it is often spoken of facetiously. Yet the most eminent scientific managers have emphasized its importance; conscious application of this principle might well result in considerably less managerial tension, a better sense of responsibility among employees, and better-humored executives.

**M**ARKETING people please note: While resale price maintenance has been employed in Great Britain since the 1890's, not more than 12 to 15 per cent of the country's retail business is transacted under price regulation. In the United States only a small percentage of the goods sold at retail is subject to fair trade control; Macy's recently figured out that 3 to 5 per cent of its sales volume was obtained from price-fixed merchandise. It is likely that in the near future in this country the percentage will be somewhere between the Macy figure and the British estimate (*Why Most Retail Prices Will Escape Fair Trade Control*, page 96).

**W**HAT'S the best way of paying retail salespeople? Straight salary, says Otho J. Hicks (*Wage Methods in Retailing*, page 88). After study of the problem, he has reached the conclusion that straight salary is the most intelligible and equitable to the employee; under this method of payment the worker can solidify his hold on the job and can share in resulting operating economies. A recent survey shows that 41 per cent of the stores studied use the straight salary method; 5 per cent use straight commission; 13 per cent, salary and commission; and 38 per cent, the quota-bonus plan.

# Current Comment

## THE NON-CLASS ATTITUDE PAYS

When inventory is taken of American resources, it is commonplace to stress our natural assets and to point to the enormous stocks of human energy that made possible the successful exploitation of the nation's physical resources. But there is one resource that is almost forgotten and too seldom exploited. That is the democratic spirit that pervades our national life.

We find it everywhere, a camaraderie, a jaunty good nature. It is imbedded in the nature of us all, from the taxicab driver to the banker.

Its principal significance is this: The outstanding genius of this country is that we have liquidated the caste system which underlies the social fabric of all Europe and Asia.

To prove that this is not pure fancy—mere rhetoric—we could cite the observations of unprejudiced individuals who have come closely in touch with our social and industrial life. Such men as Dubreuil, the French labor executive, who came to this country a few years ago and lived closely within our industrial system, have testified to their amazement at our lack of caste system. Before they came they had thought that the claim that we had no caste spirit in America was merely a political pretension. They found, however, in the spirit of industrial workers and executives among whom they lived in the United States this social attitude which differed so profoundly from that which prevailed in Europe and Asia.

This should give us a head start in outdistancing the rest of the world in the handling of labor relations.

What executives must do is *not* keep their good nature—their natural American humanitarian spirit—in an air-tight com-



partment for their social life only, but carry it over into their industrial activity. It must be interwoven into the fabric of their educational programs. We cannot impress too strongly on executives who lead such programs, that they must scrap any economic prejudices which they may have and bring into the program rather this social, humane good nature with which they approach their other activities.

Whether you are an executive handling a training school of workmen, leading a foreman's course, contacting a union committee, training apprentices or skilled workmen, discussing job difficulties with an awkward or difficult employee, this is the spirit that should guide your attitude. Get this sense of humor over.

This policy of democratic understanding is not an impractical ideal advanced by gushy social workers. A diplomatic, democratic attitude on the part of an executive has become a real business asset. An industrial executive just cannot afford to be without it if he is going to be a success in the position that he occupies.

I could cite instance after instance of foremen and executives who had to be replaced because of lack of this spirit—men who were technically competent. I recall particularly a foreman in a certain plant who was technically capable but who insisted upon maintaining a dictatorial, autocratic attitude which was out of keeping with the policy of the company; this man was reluctantly discharged. I know of other—more important—executives who were displaced because, though excellent production men, they insisted upon being stiff martinets instead of democratic leaders.

In industry the democratic non-class attitude pays.

It is good business.

SAM A. LEWISOHN,

Vice-President and Treasurer,

Miami Copper Company;

Former Chairman of the Board of the  
American Management Association.

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## THE MANAGEMENT INDEX\*

### Abstracts and News Items

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#### GENERAL MANAGEMENT

##### The Chance of a Job After 40

The complaint of unfair discrimination against older workers which was heard during the depression has been thoroughly justified. The National Association of Manufacturers learned that, of 700 firms investigated, over a fourth had age-hiring limits. A United States Department of Labor study of personnel policies in tobacco factories revealed that half the workers were under 30; 80 per cent under 40, and "very few over 50." A Massachusetts survey in 1934 disclosed that there were 230 factories in the state without a single employee over 45. This same survey found that employers preferred to hire males under 30 and females under 25, and it reached the conclusion that, once the age of 45 is reached, women who lose their jobs have little chance of reemployment.

Today, however, the prospects of the older employee depend less upon his age and more upon his skill than they did in the midst of the depression. Few of the millions of young men who have since come into the labor market

have had an opportunity to serve trade apprenticeships, while many older workers possess the skill and experience of which there is now a shortage. The United States Employment Service, which has placed millions of men and women in jobs, found that for the year ending June, 1935, men in the age group 30 to 39 had the rosiest prospects of landing work; a year later, however, it reported that applicants aged 40 to 44 were having the best of it, and men aged 45 to 49 were doing almost as well as workers of 35 to 39. Prosperity, it would appear, modifies the real and imagined disabilities of workers over 40, and tends to push upward, toward 50 and even beyond, the age of employability.

However, it cannot be denied that the older worker is sitting precariously. A formula for keeping him effectively on the job must include adult education and the revitalizing of apprentice training; the development, if possible, of auxiliary skills; union membership; the elimination of mere blind prejudices against older workers; improved personnel policies in the

\*For publishers' addresses or information regarding articles or books, apply to AMA headquarters.

treatment of the middle-aged; and the adjustment of compensation, insurance, and pension systems so that employees are not penalized to the point of losing their livelihoods simply because they accumulate birthdays. By Farnsworth Crowder. *Survey Graphic*, February, 1938, p. 87:4.

### American Enterprises— Number and Size

While our economic system rests upon private enterprise, our knowledge of the number of such enterprises, their size, and the extent of their operations is somewhat fragmentary. In these days when the fundamentals of economic and social life have been questioned as never before and when proposals for basic changes of our economic structure are rife, it seems desirable to assemble the available information regarding the number and size of the different enterprises in our national economy.

So far as records are available, they indicate the existence in the United States of some 10 million private enterprises, from the management and operation of which some 34 million persons on the average draw their livelihood annually. The number of those who in the course of the year draw some income from these enterprises is considerably larger.

Enterprises in the agricultural field are more numerous than in non-agricultural activities, but do not provide a livelihood for so many persons as do the latter. The average enterprise

furnishes on the average for the year income for nearly four persons, two in agricultural enterprises and nearly eight in non-agricultural activities. The latter vary greatly in average size.

The available records of the size of establishments bring out the fact that the concepts of size must be judged by the nature of the activity to which they relate. But though criteria of size differ markedly from one industry to another, a survey of the existing data on the subject reveals the preponderance in number of the smaller enterprises whatever measure of size is applied. In volume of business the share of large numbers of small enterprises is small, while that of the small number of large enterprises is large. By Roland P. Falkner. *Conference Board Bulletin*, February 24, 1938, p. 17:7.

### Weaving the Sands of the Sea

"All things may be woven," wrote the poet Dante six centuries ago, "even the sands of the sea." Today glass-makers are weaving sand—tons of it daily. Out of sand, plus soda and lime, they are making almost invisible threads of glass. From these they are weaving filter cloths, curtains, and wall coverings. They are spinning lustrous yarns of glass for fire-resistant textiles and for electrical insulation. They are producing fabrics that are as soft as cotton, as sheer and iridescent as silk, or as tough as canvas.

Glass cloth is the result of an in-

genious manufacturing process. Small glass marbles are introduced one by one into trim little electric furnaces, where they are melted at 3,000 degrees Fahrenheit. Inserted in each furnace floor is a finely perforated plate composed of a special precious metal alloy. From the tiny holes in this plate each marble emerges in 102 filaments nearly a mile in length. These are carded, twisted into yarn, and turned out on spindles to be further processed on regular textile machinery. If colored fibers are desired, tinted glass marbles are used in the electric furnaces.

In fibrous guise, glass retains all its invaluable properties except rigidity and brittleness. In addition, it can be cut and sewn, woven, knitted, braided, matted, and fabricated in a dozen different ways. Glass textiles can compete, and are competing, with established products.

For American industry this will mean new modes of production, new products, and new profits. For other nations it may mean much more—freedom from the need of importing certain basic raw materials. Even the poorest of the “have-not” nations has sand! By Edward Brecher and Philip Dunaway. *Nation's Business*, March, 1938, p. 31:5.

### Multiple Management

In 1932 McCormick & Company, Inc., of Baltimore, initiated a system of “multiple management” under which all problems of management

are handled by one of the following four executive boards:

**Senior Board**—the governing body which adopts and controls all the company's policies and general management of the business.

**Junior Board**—a clearing house through which opinions of office employees are conveyed to the management. Its problems are mainly those of administration and office management.

**Factory Board**—a clearing house for views of factory workers. The problems of this Board pertain primarily to factory management, the study of working conditions, and the improvement of employer-employee relationship.

**McCormick Sales Board**—the board of the McCormick Sales Company, a subsidiary of McCormick & Company, Inc. Its membership includes divisional sales managers and sales-minded executives.

Under this system, the active management is carried on through group meetings of more than 50 people instead of a few executive officers. All four boards meet separately at stated intervals to act upon their individual problems, and plans passed unanimously by the Junior and Factory Boards are submitted to the Senior Board or the president for final approval. Elections to the Junior and Factory Boards are held semi-annually.

Employees may submit to the proper Board questions pertaining to management, working conditions, hours, and wages in their departments. Any

person dismissed may appeal his case before the Factory or Junior Board. The results of this system combined with a liberal personnel policy are reflected in all departments of the organization, and a good index to the employees' attitude is an almost negligible labor turnover. By Charles P. McCormick. *Executives Service Bulletin*, Metropolitan Life Insurance Company, February, 1938, p. 3:2.

### Relief and Reemployment

The ultimate answer to the question of the employability of workers on relief will have to be made by those who hire them.

The workers remaining on relief rolls are naturally a residual group containing a relatively high proportion of many types of workers not currently acceptable to a large number of industries. Among the types over-represented are older workers, unskilled and inexperienced workers, those without recent work experience, and workers handicapped by minor disabilities or personality difficulties. The great majority of workers on relief, however, are ready and willing to take decent jobs at standard wages and will make satisfactory employees. Repeated studies of reported job refusals by relief and WPA workers have shown very few instances in which the worker refused employment for unjustifiable reasons; out of 5,000 cases investigated, only 42 involved unjustifiable refusals.

The prospects for absorption of the

major proportion of the employables on relief rolls appear to be closely related to the extent to which employment qualifications are relaxed. As long as large numbers of unskilled workers are to be had, a high degree of selectivity will be shown. The possibilities for a change in required qualifications are indicated by the noteworthy relaxation in requirements as to age and experience for workers in skilled occupations where labor shortages have developed; in a number of cases the age limit on hiring has been raised and workers without recent experience find that jobs are being reopened to them. This experience indicates that employability is a matter of definition in terms of existing standards and suggests that, so far as the solution of the unemployment relief problem is concerned, a lack of job openings is a more serious handicap than a lack of qualified applicants. By A. Ross Eckler and Lincoln Fairley. *Harvard Business Review*, Winter, 1938, p. 141:13.

### A Good Executive Doesn't Over-work!

Nothing is so fatal as to put in an executive position a man who has a passion for work and who is apparently constitutionally unable to delegate it to someone else. He insists upon doing everything himself, because he is the only person who knows exactly how it should be done. But he cannot do everything, and disaster follows. Such a man fails as an execu-



tive, and ends in the bankruptcy court, in the hospital, or on the street.

An executive is not hired to do work. He is hired to get work done. His job is to think, coordinate, decide. Under ordinary circumstances, successful executives not only confine their office activities to the usual business hours, but in addition have a habit of taking a whole day off with what might seem to an efficiency hound to be alarming frequency.

The executive who builds an efficient organization frees himself from the actual performance of work and is able to devote the major share of his time and effort to the planning and coordinating which constitute the real management of an enterprise. And this does not require burning the office candle at both ends. The best business executive doesn't over-work! By E. J. Kulas. *Forbes*, January 1, 1938, p. 26:2.

## OFFICE MANAGEMENT

### Planned Filing Pays

Principles of industrial management applied to filing at the Tennessee Valley Authority, Knoxville, Tenn., have measurably improved the efficiency of the file clerks.

Among the projects undertaken in the filing department of this government agency were intense studies of most of the outside factors which affect the well-being of employees. Briefly, these studies resulted in (1) elimination of overtime, (2) introduction of rest periods, (3) complete change of lighting fixtures, (4) complete change of forms, (5) construction of a more adaptable filing rack, (6) reconstruction of all sorting racks, and (7) adoption of many minor devices to lighten employee labor.

In its filing department the TVA has produced tangible evidence of clerk-

saving through time and motion studies. For example, it was found that indexing typists had fallen into work habits that required the performance of many waste motions. To determine methods of eliminating waste motions, subsequently reducing fatigue, improving working conditions, and increasing efficiency of the typists, motion studies were conducted of all movements performed in preparing index sheets. It was found that an average worker performed 76 motions in the process of typing two index sheets. These motions were distributed in such a way that 31 were performed by the left hand and 45 by the right hand. As a result of the motion studies, the total number of movements required was reduced to 48, a 35 per cent reduction; and these motions were distributed so that 23 were performed by the left hand and 25 by the right.

In connection with this motion study work, algebraic formulae were developed to determine the exact number of motions required with any values of the various variable factors which enter into the preparation of index sheets. These formulae, the development of a new index sheet, and other procedural improvements have resulted in increasing the production of each typist from 50 to 300 pieces a day.

Substantial savings have also been achieved in this organization through specialization of filing tasks. By John F. Pierce. *The Office*, February, 1938, p. 12:9.

### How to Get Employees to Start on Time

How to get workers to the office on time is a thorn in the side of many executives. Since many of the offenders—employees who are late to work several mornings every month—are outstanding workers in other respects, it is difficult to penalize or dismiss them because of one bad habit.

The best way to improve punctuality records is to make employees *want* to be on time. Here are a few incentives which can be readily set up to increase punctuality among workers:

1. Post punctuality records on bulletin boards, listing workers' names in order of their excellence.
2. Establish a continuous contest with a group prize to be held each month by the group which made the best record the preceding month.
3. Give a half-day vacation with

pay for each perfect month of attendance. This time off should be taken within 60 days of earning it.

4. Make a record of excellence in attendance and promptness a definite factor in promotions.

5. Automatically dismiss employees after they have been warned a certain number of times to improve their records, and have failed to do so.

By L. E. Frailey. *American Business*, January, 1938, p. 34:3.

### Salaries of Office Workers in New York City

Weekly salaries of clerical workers in New York City averaged \$30.89 in May, 1937, according to a survey by the industrial bureau of the Merchants Association of New York, covering 297 companies with 43,592 office employees.

Typists formed the lowest salary group, with an average of \$22.67, a low of \$10, and a high of \$47.30. The highest salaries were paid to accountants, who averaged \$52.14, with a low of \$18.46 and a high of \$225. The businesses covered included financial houses, insurance companies, public utilities, retail and wholesale trade, hotels and restaurants, warehousing and trucking, engineering, real estate companies, and various manufacturing concerns.

A tabulation of the salaries of employees of 66 companies shows increases in average salaries in May, 1937, as compared with July, 1935, ranging from 0.16 per cent for typists

to 27.14 per cent for machine bookkeepers, with a decrease of 0.51 per cent for male stenographers and secretaries. There were decreases in the lowest brackets for machine bookkeepers, male stenographers and secretaries, chief and supervisory clerks, and file clerks, and in the highest brackets for non-machine bookkeepers; while the lowest rates paid to telephone operators and female stenographers and secretaries, and the highest paid to dictaphone operators, remained the same. *Monthly Labor Review*, January, 1938, p. 213:3.

### Tests Show Low Cost of Good Lighting

Though it costs approximately four cents for eight hours of adequate illumination for one office employee, only 10 per cent of business offices are reported to have proper lighting.

A test among 4,000 stenographers in 17 firms showed an increase in the speed of transcription of shorthand notes of 20.1 per cent when illumination levels were raised to recommended standards. Assuming that this represents increased output of these workers and that they averaged \$20.00 per week, the value of the increased production to the employer was \$1.60 per day. Return on the investment was 4,000 per cent.

In many offices the overhead lighting equipment is adequate and requires only the addition of supplementary desk lighting with the new and improved types of portable units.

When all the costs of such an installation are prorated, it is conservative to estimate that the depreciation could not exceed two cents per employee per day. Adding this to the power bill of four cents, we arrive at a tentative and liberal estimate of six cents as the total cost of supplying adequate light to one employee for one day. By Robert Young. *American Business*, January, 1938, p. 38:1.

### Hidden Human Resources in the Office

When quantitative measures are made of the ratio of the abilities of the best to the worst individuals on a given task, the results are surprising. The range of performance varies, of course, from one task to another. A ratio of two to one is about the minimum reported, while some instances of twenty to one have occurred. The average ratio from a number of investigations is about five to one. These figures are for unselected samples.

Considering the case of gainfully employed people, it has been found that the ratio of best to worst is narrower but still important. In a variety of office tasks a median ratio of two to one has been found. A similar range of ability exists among employed factory workers.

What does this mean in terms of cost? There is ordinarily little difference in the rate of pay between the best and poorest workers employed at the same office job. The amount of space and equipment used by each will

be about the same. The cost of social security and unemployment insurance will vary but little. Supervision of the less efficient worker will probably cost more. Under such circumstances

the services of the less efficient employee will cost two or more times those of the best worker. By George K. Bennett. *N. O. M. A. Forum*, February, 1938, p. 8:3.

## PRODUCTION MANAGEMENT

### Industrial Economics: *Labor and Capital, Legislation, Wage Theory, Migration*

#### Wage and Hour Differentials

Average hourly and weekly wages in the same industry vary in different regions and states. The highest wages are generally found in the Far West and the lowest in the South. There is also variation in wages among communities of different size. The highest wages are commonly found in the larger communities. In some industries there is also considerable variation in hours of work on both a geographic and a population basis. In other industries little variation in hours exists.

Lower living costs in the South and in the smaller communities tend to offset somewhat existing wage differentials. Southern living costs are shown to be 5.8 per cent lower than in the East and 7.4 per cent lower than in the Far West. In communities of less than 100,000 population, living costs are 5.7 per cent lower than in communities of over 500,000. The

variations in wages, however, are wider than the differences in living costs.

Several pertinent tables have been included in this survey. By M. Ada Beney. *Supplement to Conference Board Service Letter*, January 27, 1938, p. 1:6.

#### Putting Labor Policies on Record

One of management's more pressing and most delicate jobs is the formulation and publication of labor policies. When such policies are worked out in cooperation with employees—when they are printed and made known to every supervisor and wage-earner in the plant—they provide one of industry's surest guarantees of friendly employer-employee relations.

In many companies labor policies are printed or mimeographed and made available to every worker. In some concerns they are posted on bulletin boards in the plants. General

Motors Corporation and the American Rolling Mill Company published theirs in the form of a pamphlet which was distributed to every employee. The Inland Steel Company printed its policies on one large sheet for bulletin boards and for distribution to employees and customers.

An analysis of the contents of published labor policies in several corporations has resulted in a composite that reads somewhat as follows: (1) introduction—a brief history of the company, a description of its present status, and a statement of what the company has done for its employees; (2) cooperation—employees' and management's mutual interests; (3) selection and placement of employees; (4) conditions of employment—wages, basis of wage payments, method of wage payments, hours of work, overtime, lay-off procedure, transfers, rehiring, discharge, etc.; (5) collective bargaining—recognition of the National Labor Relations Act, the right to organize and choose representatives, the right to deal individually with employers, management's definition of collective bargaining; (6) grievance procedure and suggestions; (7) social security; (8) safety and compensation; (9) insurance, savings, and loans; (10) training; (11) relief in case of sickness, etc.; (12) health; and (13) community relationships of employers and company.

This article outlines and discusses the labor policies of several organizations. The policies of Inland Steel Company, Servel, Inc., and Real Silk

Hosiery Mills, Inc., are reproduced in their entirety. By J. E. Walters. *Factory Management and Maintenance*, February, 1938, p. 71:12.

### Facts for Wage Negotiations

There are two general tests which a wage scale must meet in order that it may be equitable. First, the wages paid must yield a reasonable American standard of living, and second, wages should represent a distribution to the worker of a fair share of the value produced, both on an hourly and on an annual basis.

Under present laws there are no specific obligations on the part of management to submit to the workers the financial facts in regard to a business, but a steadily increasing number of employers perceive the necessity of making available to all parties in labor negotiations an impartial statement of financial condition and of income and expense. Without such information fair wages cannot be determined.

Labor's representatives should be in a position to use and analyze such information intelligently in order to bargain adequately with employers. If management seeks to force a reduction in wages upon employees, it should be prepared to support such a demand by valid evidence in the shape of earnings statements, impartially prepared, showing that the company is not in a position to pay wages at existing rates without depriving the owners of a minimum fair return on the capital in-



vested. On the other hand, if industrial earnings have definitely increased through greater efficiency of labor, through the introduction of better machinery, or through an improving market for the commodities produced, the workers should be entitled to share in such increased earnings; and the management should be willing to submit its operating statements in order that a mutual understanding may be arrived at as to the share of the value of the product which labor should receive.

A typical balance sheet and income account have been discussed on this basis. By Raymond G. Cranch. *American Federationist*, December, 1937, p. 1298:5.

### **How to Operate Under a Collective Agreement**

To operate plants successfully under collective bargaining requires a philosophy and approach which recognize the fundamental requirements of management and workers.

Management is concerned with the maintenance of an even, satisfactory flow of production; it is concerned with the maintenance of reasonable competitive costs, and with the maintenance of quality; and to help enforce and sustain all these, it requires the right of disciplinary discretion.

Workers are concerned fundamentally with a fair and decent wage payment plan, which does not promote speed-up, and under which the rates of pay are honestly established and are

not arbitrarily altered; they are concerned also with security—security of employment, security from arbitrary discharge, and security from unfair treatment in the matter of distribution of work in periods of short employment.

In order to meet this problem successfully there must first be an analysis of it. The goal must be set, the mechanism developed, and then must follow the building up and maintenance of a proper spirit with which to administer the machinery and philosophy.

All this, however, is vague and general. Let us examine one of the basic problems of collective bargaining as it has been solved by an employer with union cooperation.

The wage payment plan is such a fundamental problem. In the plant of Hart, Schaffner & Marx, of Chicago, piecework is the basis for about 85 per cent of the operations. Piece rates are established jointly by the management and the workers. All piece rates, when set, are carefully recorded, and there is prepared a specification setting forth exactly the quantity and the quality of the work covered by the piece rate. The right of discipline to maintain the specification, and the right to suspend workers for failure to perform work in accordance with specifications and in extreme cases to discharge them for failure to do so, rest with the management. The fear of arbitrary changes in piece rates has been removed, because the company cannot change a piece rate. Under the firm's collective bar-

gaining agreement an impartial board has been set up, to which the management can appeal for an alteration in piece rates; similar action can be taken by the employees if experience demonstrates that an error has been made in establishing the rates.

The most important single thing that a management newly entering into a collective bargaining agreement can do—and this cannot be emphasized too strongly—is to develop for itself a really broad, intelligent point of view, and persuade and convince the workers of that fact. It must do the best it can to put the mistakes of the past behind it. The sooner management realizes this, the better progress will be made in collective bargaining arrangements. By Morris Greenberg. *The Society for the Advancement of Management Journal*, January, 1938, p. 7:6.

### ✓ Work-Sharing Comes Back

Business men who recall the turbulent winter of 1932-33 are finding reminders of it in the present situation. This applies particularly to the share-the-work movement. It was during that cold winter five years ago that share-the-work got its first start on a nation-wide scale; and the recent precipitate drop in industrial production is bringing it to the front in today's business news.

As to the actual means of operating share-the-work programs in individual companies, one of several methods, or a combination of them, is generally chosen:

1. Reduced days per week or working period.

2. Reduced hours per day.

3. Shorter shifts in continuous operation. In continuous, 24-hour operations, four shifts of six hours each may replace three shifts of eight hours each.

4. Alternating shifts or individuals. Half of the force may work one week, half the next; or each force may split the week, with half working three days and the remainder working three days.

5. Rotation of days off.

6. Extended vacations without pay.

7. Maximum and minimum work week. A maximum number of hours beyond which an employee cannot work may be set, often qualified by a minimum number of hours which he should obtain to meet the needs of his family.

8. Training and transfer. Employees may be trained to do new jobs, especially in companies with diversified products, some of which may be enjoying better sales than others. *Forbes*, January 15, 1938, p. 20:2.

### Trend of Child Labor

Child labor in the past 10 years has fluctuated directly with business conditions except when legal restrictions, either state or federal, have been drastic enough to close practically the whole labor market to children under 16. In those areas where the state minimum-age standard was not raised during 1936, the number of children 14 and 15 years of age leaving school

for work during the last six months of that year increased almost 50 per cent as compared with the last six months of 1935. On the other hand, in the two states, New York and Rhode Island, where a basic 16-year minimum age went into effect by state law during the year, there was a decrease of 94 per cent in the number of children under 16 going to work in occupations for which employment certificates were

required. The laws of 38 states still permit children of 14 or 15 years of age to leave school for work. These and other facts regarding employment of young workers are brought out by a report prepared by the Children's Bureau showing the number of children going to work annually in occupations regulated by child-labor laws. *Monthly Labor Review*, December, 1937, p. 1371:20.

## Personnel

### Curtailment, Layoff Policy, and Seniority

On the basis of information covering the last half of December, 1937, furnished by 475 manufacturing companies employing 660,000 workers, it is found that:

1. Since July 1, 1937, only seven companies had reduced wage rates, and four companies had reduced salaries.

2. In 90 per cent of the companies that had reduced the scale of operation, spreading work is a feature of the curtailment policy.

3. In those instances where curtailment was accomplished exclusively by one method, nearly twice as many companies had reduced hours as had laid off employees.

4. When both methods of curtailment had been used, approximately half of the companies reduced hours first. One-third first laid off those

recently employed. The remainder reduced working force and hours simultaneously.

5. Specific seniority regulations are in effect in 36.8 per cent of the companies.

6. Seniority is determined on the basis of work anywhere in the plant in 36.9 per cent of the companies, by department in 30.3 per cent, by occupation in 8.9 per cent, and by more than one method in the remaining 23.9 per cent.

7. No particular difficulty was encountered in applying seniority regulations by 92 per cent of companies that have no contracts with labor organizations, by 69 per cent of companies that have agreements with independent unions, and by 61 per cent that have agreements with organized labor unions.

8. Even in companies not subject to restrictions in regard to layoff procedure laid down in labor union con-

tracts, length of service is the outstanding factor in deciding all cases where the efficiency of the workers in question is about equal.

Several comprehensive tables are included in this article. *Studies in Personnel Policy*, National Industrial Conference Board, January, 1938. 12 pages.

### Rate the Job Right

At The Goodyear Tire & Rubber Company, Akron, Ohio, it has been found that base rate calculations are fundamental for any incentive plan.

In making a base rate calculation, the job evaluator checks the job for the presence of 44 different factors. Of course, no one job combines all of them; some may contain as many as 25, others as few as 6 or 8. The 44 factors are divided into three groups—physical requirements, mental requirements and job conditions.

When any one factor is found to be present, it is necessary to determine the extent to which it exists. The weight to be given to it is indicated by points. To aid in this rating, the company has prepared charts for many but not all of these factors. In uncovering information about a job being evaluated, the calculator observes the operation being performed, questions the foreman or supervisor or both, and frequently talks with the operators themselves; past records are studied and other sources of information made use of. While the various factors of a job are being graded, comparisons are

made with other jobs where these same factors are present, to insure that consistent ratings are arrived at.

The total points for the job in question are then ascertained. The point total is referred to a table which has been prepared from a mathematical formula in gradations of one cent, and the wage rate is thus determined.

Portions of several tables are reproduced with this article, and numerous other details about the rating plan are given. By M. F. Stigers. *Factory Management and Maintenance*, January, 1938, p. 94:3.

### Wage Methods in Retailing

Existing wage methods in retailing can be classified into two general types. Retail salespeople are paid either a straight salary or are compensated on an incentive plan. The incentive schemes in common use in the retail field are (1) straight commission, (2) salary plus commission on all sales, and (3) quota-bonus.

Only the last form of incentive requires clarification. An employee on a quota-bonus basis is paid a fixed salary determined by multiplying his quota (which is based on the average dollar volume of sales that he makes over a comparatively long period of time) by the selling cost percentage of his department. As an incentive he is then paid a bonus on all sales over and above the quota amount.

A recent survey of department stores by the National Retail Dry Goods Association reveals that 41 per



cent of the stores studied use the straight salary method. Only 5 per cent use the straight commission method. Approximately 13 per cent (as against 30 per cent in 1930) use the salary plus commission on all sales method, and 38 per cent (as against 15 per cent in 1930) use the quota-bonus plan.

The major conclusion reached by this study is that straight salary is the most effective method of compensating retail salespeople. It is the wage basis most intelligible and equitable to the employee; it permits him to solidify his hold on his job; and it results in several operating economies in which he may share. By Otho J. Hicks. *Personnel Journal*, December, 1937, p. 206:6.

### Consolidated Personnel Records

A consolidated personnel form, as developed and now used in the Wells Fargo Bank & Trust Company, San Francisco, is a composite of eight important personnel records which makes possible a salary review of 600 employees in half a day. The consolidated record contains, in brief form: (1) application for employment; (2) starting date and salary; (3) personal history; (4) salary record; (5) promotion record; (6) insurance record; (7) progress reports by departmental heads; and (8) personnel director's notes and comments.

It is the management's policy to review salaries monthly. With this consolidated form, which presents a clear

picture of each employee from the date of employment to the last performance report commenting on his or her work and general aptitude, the personnel officer is spared the inconvenience of digging into files—and incidentally, none of the file material is needlessly tied up during the period when salary reviews are made and other important personnel details checked.

The consolidated record combines compactness, brevity, and reference convenience. The letter-size sheets are preserved in a loose-leaf folder the thickness of a telephone directory. With these records personnel changes can be effected quickly, but with proper consideration of the individual's personality and fitness for the work, as determined by past experience and performance ratings.

A typical record has been reproduced with this article. By Arthur W. Kohner. *Bankers Monthly*, January, 1938, p. 18:3.

### Job Evaluation

This publication presents a definite plan for establishing the relative worth of different occupations. The major objectives and benefits of the plan are listed, and the procedure to be taken in installing it is described.

It is believed that the scheme which is outlined, if properly administered, will leave management in a position where complaining employees can readily determine for themselves the equitable and understanding basis that



management follows in a well defined wage structure.

An unusually interesting four-page chart ("Job Evaluation: A Plan for Rating Hourly Employees"), along with a reproduction of the job rating sheet which is used in conjunction with this plan, is included in the publication. R. H. Rositzke & Associates, New York, 1938.

### Multiple-Shift Operation

The National Industrial Conference Board has brought together the experience with multiple-shift operation of 130 companies which employ 228,633 wage-earners. Approximately one-fifth of these companies are continuous-process plants. In the remaining four-fifths, continuous operation is not an unavoidable policy, but special reasons make multiple-shift operation desirable.

Among the continuous-process plants covered in this survey, periodic rotation of shifts prevails overwhelmingly. In companies with non-continuous operation, on the other hand, permanent assignment to shifts is considerably more prevalent than rotation. A weekly change of shifts under a policy of shift rotation is decidedly most popular in continuous-process plants. Weekly changes are also most common under non-continuous operation, but nearly as many companies favor bi-weekly change.

Companies that furnished data for this study have found very little difficulty in recruiting night shifts. More-

over, relatively few offer any inducements for night work. Twenty-three per cent of continuous-operation companies and 33 per cent of the non-continuous plants pay a higher rate of wages for night work, ranging from one cent to 10 cents additional per hour. The most common policy, followed by about a third of the companies paying additional compensation for night work, is to advance the rate by 5 per cent.

Various other advantages offered to employees on night shifts in some cases include: (1) continuing the employee's pay through the lunch period; (2) giving employees a chance to work longer hours or have more overtime and, consequently, increase their earnings; (3) providing longer week-ends; and (4) recruiting the regular day shift from the night shift. *Studies in Personnel Policy*, December, 1937. 4 pages.

### Sickness Among Male Industrial Employees

An analysis of reports from 26 industrial sick-benefit organizations, covering an average of 183,748 male workers, discloses that during the first nine months of 1937 the frequency of cases of sickness and non-industrial accidents causing disability for eight consecutive calendar days or longer was 104.4 per 1,000 men, as compared with 88.3 for the corresponding periods of the five years 1932-1936. The influenza epidemic which occurred in the first quarter of the year was chief-

ly responsible for the excessive rate in 1937. Diseases of the rheumatic group (particularly diseases of the organs of locomotion) showed a decrease of 8 per cent, while infectious and parasitic diseases increased 23 per cent.

The rate for pneumonia for the first nine months of 1937 and 1936, 2.9 and 2.8 cases per thousand, respectively, exceeded the rate (2.1) for the same period of the five years 1932-36.

The increases probably reflect the relatively large increase in the membership in the iron and steel industry, whose workers are well known for their high pneumonia rate. The pneumonia case rate among the iron and steel workers during the first nine months of 1937 was 3.5 cases per 1,000, as compared with 2.2 for employees in other industries. *Public Health Reports*, Jan. 14, 1938, p. 37:3.

## **Benefit Systems and Incentives: Pensions, Profit Sharing, Suggestions, Vacations, Stock Ownership**

### **Method of Syphilis Control in Industry**

In an attempt to decrease the large number of industrial workers who become wholly incapacitated or die yearly from syphilitic disease, the Caterpillar Tractor Company, Peoria, Illinois, recently inaugurated an effective program of syphilis control.

When an individual presents himself for employment, a pre-employment examination is made and a routine Kahn test is taken. If the report of this test is positive, the applicant is requested to report to his family physician for a recheck; if this coincides with the previous blood test, the individual is hired with the definite understanding that he must submit himself to his own physician or to a venereal clinic for treatment, and continue such treatment until the company's medical department and the attending physi-

cian agree that sufficient medication has been given. No individual is accepted for employment if his case is in a stage which would be detrimental to his fellow employees.

Each case is diaried for six months, and at the end of this period the family physician is consulted as to the amount of treatment given the employee. If it is found that the individual has failed to avail himself of the opportunity to improve his physical condition, he is dismissed from the service of the concern. If he has been receiving regular treatment, he is diaried for another six months, after which time further inquiry is made as to his condition and the number of treatments he has undergone.

To date, approximately 9,450 Kahn tests have been made, with positives amounting to 4 per cent. The vast majority of those afflicted have availed themselves of treatment, realizing that

industry in accepting them has extended a humanitarian hand in their battle to overcome the disease. By H. A. Vonachen, M. D. *Industrial Medicine*, January, 1938, p. 41:2.

### **The Practical Relationship Between McVittie and His Employees**

McVittie's, a restaurant in Denver, Colorado, recently inaugurated an employee relations program which has proved highly successful.

Under the company's plan every employee shares in a 25 per cent distribution of the net profits—the figures being based on government reports. Every thirteenth week each worker is given a week's vacation with pay in advance. Free hospitalization is provided every employee, and employees' dependents are given special rates for hospitalization and medical care. No worker can be discharged by a manager before such action is passed on by the personnel officer; and appeal from this decision can be taken to the president of the company. To be eligible for these benefits an employee must be steadily in the firm's employ for six months or more.

The company has established a mountain recreation lodge which is open to the entire staff—the women occupying it exclusively at fixed periods, and the men at other times. Employees spend their vacations there without expense, and are permitted to bring guests with them during the day or evening. This lodge is, in part, an

advertisement for the company; a large sign in front of it attracts the attention of tourists and has brought McVittie's steadily increasing patronage.

The major part of the management has been turned over to the workers; they handle the cash, keep the records, watch the upward or downward curves on the daily chart-sheet, and realize that they, and they alone, are responsible for increasing the profits of the company. This is undoubtedly the basic reason for the success of the program. By A. A. McVittie. *National Restaurant Bulletin*, December, 1937, p. 11:3.

### **Profit-Sharing Plans for Executives**

On the basis of information received from 84 companies, employing 539,564 persons, that have formal profit-sharing plans for executives in active operation, it is found that:

1. Major executives alone were eligible to participate in a third of the plans, minor executives, such as principal assistants and department heads, were eligible under two-thirds of the plans, while supervised executives, such as foremen, participated under 15 per cent of the plans.

2. Management's share was taken directly from net profits in 32.1 per cent of the plans, the percentage allotted to the profit-sharing fund ranging from 3 per cent to 20 per cent of net profits.

3. Management shared in the

profits after deduction of earnings for capital in 51.2 per cent of the plans. The dividends deducted varied from 5 per cent to 12 per cent. Management's share of the balance varied from 5 per cent to 50 per cent.

4. In 16.7 per cent of the plans, subordinate executives shared only in the profits of the department or establishment in which they were employed. The majority of plans of this type were in mercantile establishments.

5. In approximately half of the plans, profits were distributed among the individual participants on the basis of individual worth. In less than a quarter of the plans did the participants receive a similar percentage of their salary as profits, while in seven plans employees were divided into classes and shared only in profits allotted to the particular class.

6. Out of 84 profit-sharing plans, 74 distributed profits in cash. Distributions were usually on an annual basis.

7. In slightly less than half of the

companies, salaries were lower than they would otherwise have been because of the profit-sharing plan, while in approximately half, the basic salary equalled or was higher than that paid for similar positions.

8. In 37 companies employing 331,914 persons, only 3,169 executives, or 0.95 per cent of the total number, participated in the profit-sharing plan. The percentage of participation in the individual companies ranged from 0.01 per cent to 9.0 per cent.

9. Only 8.7 per cent of the profit-sharing plans for executives examined in the present study had been discontinued, contrasted with a ratio of discontinuance of 60 per cent in the case of profit-sharing plans covering wage-earners.

Several tables and an extensive appendix have been included in this article. By F. Beatrice Brower. *Studies in Personnel Policy*, National Industrial Conference Board, Inc., February, 1938. 16 pages.

## **Training and Education: Schools, Libraries, Employee Publications**

### **These Foremen Speak Freely**

For the past several years the Graton & Knight Company, Worcester, Mass., has been holding foremen conferences to discuss problems in methods and processes.

Each conference is composed of department heads only, with the super-

intendent as group leader; thus no restraint is placed on the expression of opinion, which would not be true if management or sub-foremen were allowed to participate. Meetings are held in the plant "schoolroom" on Mondays from 4 to 6 P. M., one hour being on company time and the other hour on the foremen's time. The fore-

men sit in a horseshoe table arrangement, firing questions and having lively discussions across the open space; blackboards are made use of to clarify the discussion.

One of the results of these conferences has been the unanimous adoption of the policy of hiring boys having at least a high school or trade school education; experience has proved that these boys learn more quickly and possess a better foundation for advancement than those who lack such education. Another idea developed at the meetings was that foremen must be thoroughly familiar with the principles of motion study in order to instruct men properly in their application.

By training foremen in this manner, the company hopes to strengthen its contact with the employees and to develop a technique which will insure the proper carrying of company policies to the workers. By H. P. Larabee. *Factory Management and Maintenance*, January, 1938, p. 81:2.

### **Federally-Aided Classes for Distributive Workers**

Classes for workers in distributive occupations organized under the provisions of the George-Deen Act are now being started in many of the states.

The Act authorizes allotments to the states for "the salaries and necessary travel expenses of teachers, supervisors, directors of, and maintenance of teacher training in distributive occupational subjects." The maximum sum

annually available for allotment is \$1,254,000. The total estimated expenditures this year from the state allotments is \$887,119, or approximately 70 per cent of the maximum available. As the statute requires each state to spend for distributive education not less than 50 cents of state or local school funds in addition to each dollar of its federal allotment for distributive education, a total expenditure of over \$1,313,000 may be made in 1938 for the education of store managers, salespeople, and other distributive workers. By Earl W. Barnhart. *Domestic Commerce*, February 20, 1938, p. 94:1.

### **National Apprenticeship**

The recently enacted Fitzgerald Bill, making the Federal Committee on Apprentice Training a permanent agency and placing it in the U. S. Department of Labor, recognizes the place of apprenticeship in America's industrial future. The existence of this committee has grown out of the pressing demand for a coordinating agency to draw upon the experience of management and labor in assisting them to set up standards of apprenticeship for a trade or industry which would be acceptable to everyone concerned.

The Federal Committee feels that general standards should guarantee the apprentice: a thorough and well-rounded work experience; a specific number of hours of related school instruction; a fair, living wage; an advance in the wage scale at regular and stated intervals; safeguarded ma-



chines; and protection against overtime. These assurances should be embodied in a written agreement—in itself a basic standard in apprenticeship.

The Committee has acted as intermediary in working out common aims in apprenticeship and recommending uniform national standards. The foundation of the structure is local joint trade-apprenticeship committees, on which employers and employees are equally represented. Some 1,200 of these joint-committees are now functioning. Meanwhile, employers' associations and employees' organizations in many trades and localities are setting up apprenticeship systems with standards patterned after those recommended by the Federal Committee.

Last year 30 of these systems were established between January 1 and July 1 in 11 states and in numerous trades. As the House Committee on Labor reported on the Bill: "This close cooperation between management and labor on questions of apprenticeship may be expected to influence beneficially other negotiations between management and labor, with consequent benefits to the whole nation." By William F. Patterson. *Mechanical Engineering*, January, 1938, p. 47:2.

### Production Conference

The Production Conference of the American Management Association will be held at the William Penn Hotel in Pittsburgh on April 20-21.

## MARKETING MANAGEMENT

### The Impression Values of Fixed Advertising Locations in "The Saturday Evening Post"

The purpose of this study was to measure the relative impression values of different fixed advertising locations in *The Saturday Evening Post* and to compare these positions with the run of the paper.

It has been found that advertisements in fixed locations have a small general advantage, and there are probably some real "preferred positions." Excepting the cover space advertisements, there is a fairly consistent advantage for the fixed locations. This

may be accounted for by high reader interest in the editorial matter carried by the publication. The relative advantages of fixed advertising locations appear to be highest where they are near the editorial matter.

Single-column (one-quarter page), two-column (one-half page), and full-page advertisements (either black-and-white or four-color) have scores in almost direct proportion to their cost. Women and men respond in much the same way to black-and-white advertisements, but women show a markedly greater response to color. Bleed borders (which carry the printed impression over the edge of the page) seem

to have some advantage which may or may not equal the extra cost. Right- and left-hand page locations are of about equal value for full pages, but right-hand position is advantageous for smaller areas. By D. B. Lucas. *The Journal of Applied Psychology*, December, 1937, p. 613:19.

### **The Supermarket**

It seems to be characteristic of new types of distributive enterprises that in the first stage of their development they gain a foothold primarily by means of low prices, in the second stage they "trade up" the quality of the merchandise carried, and in the third stage they compete by offering services. It is evident that the chains have been in the second stage since the mid-twenties, and during the recent depression many of them entered the third stage. This evolution that the chains have undergone is now evident in supermarket operation.

The barny structures (old garages and factories) which housed the earlier supermarkets are giving way to more expensive stores. The no-service principle of the original supermarkets is being violated. Bus boys and free delivery are being used to attract customers. Such "trading up" developments seem to point to a decrease in the price advantage which supermarkets have hitherto enjoyed.

Other factors also influence the price advantage. One of these is the trend toward shorter hours in the supermarket field. Another is the tendency of

many supermarket operators to encourage the formation of a "floor" below which they will not cut prices. And as inter-super competition continues to increase, smaller sales per store seem inevitable. A higher cost ratio in return will demand higher prices or a higher mortality rate—and many supermarkets will try the move toward higher prices rather than close their doors. And yet it is probably true that people will not continue to travel considerable distances to shop at a supermarket unless they see a substantial saving in prospect. It may well be that the limits to supermarket development are not so elastic as is commonly imagined. By Charles F. Phillips. *Harvard Business Review*, Winter, 1938, p. 188:13.

### **Why Most Retail Prices Will Escape Fair Trade Control**

Although resale price maintenance has been employed in Great Britain without serious legal obstacles since the 1890's, not more than 12 to 15 per cent of the country's retail business is transacted under price regulation. In the United States as yet, only a small percentage of goods sold at retail is subject to fair trade control; recently Macy's estimated that 3 to 5 per cent of its sales volume was obtained from price-fixed merchandise. For numerous reasons it is logical to assume that in the near future, under the conditions now existing, the full probability in the field of consumers' goods in this country lies between Macy's figure and

the British estimate of 12 to 15 per cent.

For one thing, a number of large and obvious deductions must be made from the total retail volume. The first major deduction is those products not bearing the trade-mark, name, or brand of the manufacturer; another deduction must be made for merchandise on which the producers' marks are merely passive symbols of identification and not active selling instruments. These two deductions alone comprise half or more of the goods sold at retail in this country. Finally, there should be a deduction for those products, on the present basis, in the sale of which the original producer's interest in his mark as a selling instrument does not run beyond the initial purchasers.

A system of resale price maintenance is difficult to operate for perishable commodities, where short run immediate price adjustments are necessary; in fact, perishables are for the most part exempted under the acts. In addition, products heavily affected with style, seasonal, or other obsolescence factors are hazardous to control because their sale requires flexible price adjustments under variable local market conditions. Resale price control is difficult in those lines in which the prices of finished goods fluctuate closely with the prices of raw materials. It is likewise difficult when there is a second-hand market, for variations in trade-in allowances become effective methods of price-cutting.

It cannot be overlooked that price-cutting in the retail markets is often

exceedingly profitable to the producers. It should be remembered, too, that when all competitive manufacturers fix resale prices, each loses the advantage of aggressive, individual selling cooperation derived from dissatisfaction with cut prices and low margins. Finally, among other factors which indicate the limited potentialities of fair trade control in this country are the expense, difficulties, and nuisance of enforcement and the competition of private brands. By E. T. Grether. *Printers' Ink*, February 17, 1938, p. 11:9.

### What I Have Learned About Sales Letters

Here are 13 points for profitable sales letter campaigns in marketing industrial products:

1. Consistency and continuity must prevail.
2. Do not use enclosures showing application of product where the field is broad and all types of applications cannot be illustrated.
3. Return cards do not pay their added cost.
4. "Fill-ins" do not make letters more profitable.
5. Concentrate on buying power.
6. Don't be afraid to try something new—different.
7. Do not attempt to be funny in your letters.
8. Aim for quality, not quantity, in returns.
9. Send only good inquiries to your representatives for follow-up.

10. Plan and produce mailings for periods of six to nine months or more at a time to effect savings.

11. Don't hesitate to use productive letters over and over again.

12. Use penny-saver envelopes.

13. Number nine size envelopes will effect worthwhile savings over the use of number ten size.

By Edwin J. Heimer. *Industrial Marketing*, February, 1938, p. 14:3.

### State Laws Regulating Sale of Prison-Made Goods

The movement to eliminate competition between prison and private industry is meeting with success in the opin-

ion of the Prison Industries Reorganization Administration. A recent survey of existing laws shows that 12 states prohibit altogether the sale or distribution of prison-made goods (including imports) on the open market, 16 additional states have enacted general prohibitions with certain exceptions, and eight states, including three of the foregoing, have legislation specifically prohibiting the sale or distribution of imported prison-made goods. In all, 33 states have placed some restriction on the sale of prison products and every state has laws regulating the use of prison labor and the manufacture of goods in prisons. *Monthly Labor Review*, December, 1937, p. 1424:3.

## FINANCIAL MANAGEMENT

### Prevailing Practices in Inventory Valuation

On the basis of information obtained from 826 manufacturing companies, it was found that prevailing inventory valuation practices were as follows:

1. The most commonly used method for charging into process was at monthly average cost. Of the companies cooperating in the study, 39 per cent reported use of some form of average cost basis; 24 per cent used actual cost of specific lots for all or part of their raw materials; 16 per cent used standard costs; and 15 per cent charged material costs on a just-in, just-out basis.

2. One-fifth of the companies surveyed find it necessary to keep separate statistical inventory records (aside from their books or store cards) for the purpose either of determining profit and loss on current business or of fixing selling prices.

3. In determining sales prices, replacement or market cost carries heavier weight in 51 per cent, and actual or average cost is given greater weight in 49 per cent, of the reporting companies.

4. Lower of cost or market is the prevailing basis for inventory valuation on the balance sheet, with 63 per cent of the companies using this meth-



od for their raw materials, and 40 per cent for their finished goods. Standard costs are used by 20 per cent of the companies in valuing finished goods inventory.

5. Inventory reserves are set up for the purpose of eliminating inventory profits or equalizing future profits by 22 per cent of the reporting companies.

6. Inventory losses are generally charged to the "cost of goods sold" section of the profit and loss statements.

If federal tax regulations were to be revised, allowing the application of current or replacement costs to sales, 38 per cent of the companies reporting would be in favor of using such a method. By Clyde L. Rogers. *Studies in Administrative Control*, National Industrial Conference Board, Inc., February, 1938. 16 pages.

### T. D. 4,422

Many industrial companies are now feeling the practical effects of Treasury Department Ruling 4,422, of February 28, 1934, in the shape of tax assessments for the years 1933 to 1936. Nearly all the assessments carry with them disallowance of a considerable part of the depreciation claimed. There is reason to think that this is the general experience, even though the depreciation taken was exactly in line with that claimed and allowed in previous years since 1920.

To forestall the blanket application of depreciation rates by the Treasury agent, the manufacturer must have a breakdown of the lump-sum entries in

his asset accounts. This is best accomplished through a detailed plant register, which is a complete and continuous record of each item of equipment and each building in the plant. It may be in the form of a loose-leaf book or a card file.

Upon the leaf or card is entered a full description of a machine—its location, manufacture, style and serial number, and its cost in place. Columns are provided for a continuous record of depreciation and major repairs and replacements.

To obtain the data for the cards, three operations are necessary: (1) an actual physical inventory of all plant and equipment; (2) a search into the cost records to determine the cost value of individual fixed assets in place; and (3) a determination of the present condition of each piece and of its probable remaining life based upon that condition. These operations are laborious and somewhat costly, but the detailed information which they yield will simplify the tax agent's job and insure more favorable action on depreciation allowance. By Frederick A. Smith. *Factory Management and Maintenance*, January, 1938, p. 86:2.

### Ready Cash for Small Concerns

Public attention of late has been increasingly focussed on the business known as factoring. Modern factoring, as conducted by a number of long-established houses, principally in New York City, offers to the independent manufacturer a thoroughly practical



and conservative method by which he can reinforce his working funds without creation of debt, division of control, or expansion of capital structure.

The procedure is simple. He sells all his accounts receivable to the factor, without recourse, as fast as they are created. This puts his business on virtually a cash basis and frees him of all credit risk. It provides him with a substantial sum in cash, hitherto tied up in accounts receivable, and, what is perhaps even more important, assures him of an unfailing supply of fresh working capital as his business expands.

Since the factor assumes all respon-

sibility as to credits, he endeavors to eliminate credit risks and thus stabilize the producer's business. He investigates new customers and indicates the amount of credit he is willing to approve. Undesirable accounts are accepted by him only at the manufacturer's own risk. The factor agrees to pay for each account as it matures, though he frequently advances most of its face value beforehand. The factorage is usually less than the cost of maintaining an adequate credit department and absorbing credit losses. By William Hurd Hillyer. *Nation's Business*, February, 1938, p. 17:3.

## INSURANCE

*Insurance abstracts are contributed by P. D. Betterley, Insurance Consultant, Assistant Treasurer, Graton & Knight Company.*

### Non-Ownership Automobile Liability

Non-ownership automobile liability decisions appear to be leaning a trifle in favor of employers, at least when compared with the tendency of a few years ago. The courts seem unable to agree on the extent of control an employer must have over an employee driving his own car for the employer to be liable for the employee's accident.

The New Hampshire Supreme Court declared that in several American jurisdictions liability is imposed upon a master for his employee's negligent operation of his own automobile when it appears that at the time of the negli-

gent act the employee was using his car with the consent, express or implied, of the master and that he was then doing his master's business and acting within the scope of his employment.

In six cases cited, five of the courts stood out for a very definite control, not only over the employee, but over the operation of his car. *The Casualty Insuror*, January, 1938, p. 33:1.

### Compulsory Insurance in Great Britain

There are three classes of compulsory insurance in Great Britain: motor vehicle liability, aircraft liability, and

workmen's compensation in the coal-mining industry.

Every person who uses a motor vehicle on a road is required to be covered by insurance. Security in the amount of £15,000 may be deposited in lieu of insurance.

A central fund was set up and maintained by contributions from insurers, and managed without governmental control by their representatives. From this fund injured third persons would be entitled to collect the amount of any judgment which they were unable to collect from insurers because of (1) insolvency of the insurer, (2) repudiation of liability on the ground of breach of a permitted policy condition, (3) avoidance of the contract on the ground of material misrepresentation of non-disclosure, (4) failure of the motorist to insure.

Compulsory motor vehicle insurance is generally accepted in Great Britain; and it was recognized that insurers were obligated to make it effective, even to the extent of cooperatively providing payments where no policy of insurance existed. In the United States the Massachusetts law and various financial responsibility laws place that obligation on the individual insurer where a contract exists but is invalid because of an act or omission of the insured.

Comparing the two situations, it may be said that Great Britain has more generally accepted the principle of compulsory liability insurance but has been less concerned to adopt the idea of compulsory insurance for work-

men's compensation. Perhaps this is due to the feeling that, while private motorists require compulsion, employers will meet their compensation obligations. Having adopted compulsion, the British seem to be reluctant to interfere with the details of insurance company management, while they recognize the necessity of adopting measures for the accomplishment of the end of compulsory insurance—the payment of compensation or damages to injured third parties. By Professor Ralph H. Blanchard. *Journal of American Insurance*, January, 1938, p. 13:3.

### **Safe Driver Plan Effective February 1**

The safe driver reward plan for automobile owners became effective on February 1 in 25 states and the District of Columbia; at the same time, the National Bureau of Casualty & Surety Underwriters announced availability in these states of the new \$1,000 single-limit combination bodily injury and property damage liability policy. The states where the plan is effective are: Arizona, Arkansas, California, Connecticut, Delaware, Florida, Georgia, Idaho, Kentucky, Maine, Maryland, Michigan, Minnesota, Missouri, Montana, Nevada, New Jersey, North Dakota, Rhode Island, South Carolina, South Dakota, Tennessee, Utah, Vermont, and Wyoming.

The safe driver reward plan will apply to all new and renewal policies for private passenger cars written on the specified car basis on and after Feb-

ruary 1. The plan is available only where both bodily injury and property damage liability insurance is written, and cannot be applied to risks for which certificates of financial responsibility have been filed. Under the plan a reward of 15 per cent of the total annual premium is guaranteed to every policyholder, provided no loss occurs under his policy during the next 12 months it is in force. The reward will be payable by check or credit through the agent or broker after the expiration of the policy year.

The reasons advanced by producers in support of the request for a single-limit policy are that it will appeal to owners who have been unwilling or unable to buy the more expensive standard policy and that it will meet the demand in various quarters for the widespread availability of at least a sufficient amount of insurance to provide for medical aid and some measure of indemnity. *New York Journal of Commerce*, Insurance Section, February 1, 1938.

### **Public Demands More Motorists Insure**

The new automobile rating plan endeavors to answer the need for lower costs in auto insurance. There are at least a million more uninsured automobiles on the roads today than there were at this time last year.

Criticism of the financial responsibility laws of the various states is growing because these laws do not assure reimbursement to the victims of

the automobile owner's first accident.

At last we have found a plan which will result in a reduction in cost to the careful driver. A much larger percentage of all automobile owners must be induced to insure. Unquestionably the cost of insurance has been a barrier to the accomplishment of this purpose. *The Spectator*, January 13, 1938, p. 11:1.

*Editor's Note:* Owing to the widespread interest in this subject, students of the problem may be interested in further reading. Most of the insurance periodicals have been carrying articles concerning the development of the foregoing plan. Readers may be especially interested in a set of questions and answers which, in a very practical way, explain the working of the new insurance: see *The Weekly Underwriter* of January 29, 1938, pages 300 and 302.

### **Innovations in Building Construction Negligible as Fire Preventives**

Several recent developments in building construction have not yet meant much to the fire insurance underwriters as fire prevention realities. From the fire hazard standpoint, enforcement of building code provisions is more important at the present time.

The developments are still in the class of novel methods and material. Fire-resistant types of wall boards and cement and gypsum plaster types of partition construction, as well as several forms of solid block and hollow types of partition construction, are

steadily increasing in use. Partitions of non-combustible covering, or so wholly constructed, and ceilings of cement or gypsum plaster on metal lath, represent a real advance because of their reduced combustibility and greater resistance to fire originating inside of buildings.

Any new construction detail, method, or material which will reduce the

amount of combustible material or the combustibility of the completed structure is decidedly worthwhile; but the greatest hope for improved structural conditions generally throughout the country hangs mainly upon the enforcement of building code provisions upon which depend the extent to which a fire may spread. *The Eastern Underwriter*, February 11, 1938, p. 38:1.

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## Survey of Books for Executives

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**Multiple Management.** By Charles P. McCormick. Harper & Brothers, New York, 1938. 175 pages. \$2.00.

Mr. C. P. McCormick describes how his organization (McCormick & Company) has made use of the abilities and ideas of its junior executives by a device which he calls "multiple management." This consists in the organization of several committees or boards which supplement the Board of Directors. In his business there are three such committees: the Junior Board, the Factory Executives Board, and the Sales Board. Each one consists of about fifteen members. The Junior Board is recruited from all departments, but the Factory and Sales Boards' members come only from those departments.

Mr. McCormick tells how his own training and the habits of his uncle, who preceded him as president of the

business, have influenced his ideas on management. He points out that the critical period in a business is usually when it has grown too large for one-man management. No man, he points out, has the ability to run a sizable business on a one-man basis, but should have all possible help.

Acting on this theory, Mr. McCormick decided to supplement the management and the Board of Directors with a Junior Board. The other two boards were formed subsequently, after the Junior Board had demonstrated its success. This scheme of "multiple management" offers, as Mr. McCormick points out, a common ground for complete understanding between employer and employees by harmonizing their interests. From the first, it was determined to devise a plan of management which would concentrate the attention of the whole organization upon the developing of the



business. Through multiple management this aim has been achieved and the entire organization has become stronger and more dynamic. It has helped to uncover promising young men of talent, and it helps to educate them towards the capacity for handling and developing the business.

Mr. McCormick's book gives an excellent idea of the workings of his method of multiple management through the setting up of Junior Boards of several kinds. The book unfortunately is not carefully written in spots and is much too long to convey the essential idea. It is, however, filled with sound thinking along management lines.

Experience under multiple management provides emphasis for the statement that the most difficult management problems of the future will relate to the human factor. Mr. McCormick expresses it as the belief of his organization that the purpose of industry is not only to make money but to fulfill its obligation to the workers. The primary purpose of management of the future, Mr. McCormick says, "will be to build men." It will place the human factor above profit, knowing that "if the human organization is right, the profit will take care of itself."

*Reviewed by Edward N. Hay.*

**Human Nature at Work.** By Jean L. Shepard. Harper & Brothers, New York, 1938. 219 pages. \$2.50.

Based on the author's psychological

and psychiatric training and experience, this new volume presents sound and up-to-date information on methods of dealing with employees. The material for the book developed from case discussions and classes with executives of R. H. Macy & Company, particularly those of the training department; most of the illustrations and case material with which the text is crowded were contributed by them.

This is an authoritative statement of personnel principles and methods, and a scientific approach to the problem of the human equation in business. Preliminary chapters are devoted to techniques of hiring and breaking in the new employee; special attention is given to problems in individual adjustment. The major portion of the book is directed to an understanding of what is meant by giving a worker security on the job in its fullest sense; and under this large subject the author has considered such topics as recognition and criticism on the job, morale, ambition and the static employee, fear, and the lay-off interview. The selection and training of workers, with special reference to executive training, are also discussed; and two chapters on "The Business of Being an Executive" and "Personnel Training for Executives" are especially well conceived. The case histories are of unusual interest.

Executives and personnel officers are beginning to realize that workers must find in their jobs security and recognition, that they must feel themselves reasonably safe and reasonably im-



portant, and that they need initial training and sympathetic guidance to achieve this. That guidance, in most instances, must come from supervisors who should themselves feel secure and proud and who must be brought to a more sensitive understanding of the emotional hopes, fears, conflicts, and satisfactions of their subordinates. This is the keynote of Mrs. Shepard's study.

This book is a practical guide for executives, especially those concerned with employee relations, the selection of workers, training courses, executive training, and other vital personnel policies. The author is Director of Executive Personnel at Lord & Taylor, New York.

**Organizing a Sales Office.** By L. Urwick, E. Aston, F. H. Cordukes, and C. H. Tucker. Second Edition. Pitman Publishing Corporation, New York, 1937. 181 pages. \$3.50.

This description of the reorganization of the selling departments of Rowntree & Co., Ltd., York, England, was first published in 1927. New material which outlines changes and improvements made since the original reorganization has been added to the second edition.

The Rowntree & Co. reorganization was undertaken in 1923. For some time it had been felt by the management that work in the sales administration departments was being routinized along established lines which did not permit the economical employ-

ment of modern machinery and procedures. A preliminary investigation disclosed a wide opportunity for better methods, re-equipment, and consequent economy in operation.

This volume is therefore a study of the coordination of various devices, machines, and methods of organization drawn from a wide variety of sources on a task represented by a small section of an individual company. From a somewhat different viewpoint it is also an exposition of the application of modern office appliances of all kinds to a series of tasks common to most industrial concerns. In the third place—and this is unusually significant today—the book is a study in the introduction of scientific management methods with trade union cooperation.

Those who are interested in problems of office management will find many stimulating suggestions in this volume.

#### **Studies in Current Tax Problems.**

By Carl Shoup, Roy Blough, Mabel Newcomer, et al. The Twentieth Century Fund, New York, 1937. 303 pages. \$3.50.

A survey of taxation in the United States which was undertaken by The Twentieth Century Fund in June, 1935, has resulted in the publication of two volumes. The first, "Facing the Tax Problem," was issued last year; the second is the present volume, which contains some of the research memoranda that were developed in the

course of assembling material for the first book.

Six separate studies are included in this publication. The first study examines the total burden of federal, state, and local taxes for certain hypothetical individuals at given income levels in Illinois and New York. The second shows the income tax burden alone—federal and state—in 11 selected states. The third study gives property tax rates, levied for state purposes only, in recent years. The fourth shows the costs incurred in administering various taxes, usually expressed as percentages of the tax yield. The last two studies, which are of interest primarily in the general problem of budgetary equilibrium, are followed by a list of special studies of state and local tax systems.

"Studies in Current Tax Problems" attains the usual high level of The Twentieth Century Fund publications. The memoranda should of course be studied along with the companion volume.

**The Chain Store Problem.** By Theodore N. Beckman and Herman C. Nolen. McGraw-Hill Book Company, Inc., New York, 1938. 350 pages. \$3.50.

From 1900 to 1929, it has been estimated, chain stores in the United States multiplied 2,800 per cent, and their growth was consistent throughout the period. At the present time the chains take anywhere from 25 to 30 per cent of the country's retail busi-

ness. Chain systems have been absorbing a larger and larger share of the consumer's dollar, encroaching to a notable degree into the sphere of the independent merchant. This phenomenal growth has so affected the attitude of the public, local merchants, and legislators that in recent years the chains have been the target of numerous discriminatory tax measures.

Are chain stores the blessing that their adherents claim, or are they the menace that their antagonists proclaim them to be? Should they be restricted by legislation? Should they be left alone? Should they be regulated or taxed? These and other perplexing questions posed by the chain store situation are admirably answered in this book.

The authors have made an attempt to present in an unprejudiced manner the historical development of chains, their present status, their manifold contributions to business technique, economic progress, and consumer welfare, as well as the profound influence they have had on our industrial, economic, and social systems. A mass of significant and original data has been assembled and analyzed in order that the position of chain stores in our national economy may be thoroughly understood and a sane attitude developed on the subject.

Up-to-date facts relating to prices in chain and independent stores, consumer attitudes toward these institutions, comparative costs and profits, the taxation of chains, and the recent legislation affecting them are discussed in

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detail in this volume. Messrs. Beckman and Nolen have outlined all phases of the chain store situation, dissected prevailing points of view in a strictly scientific light, and have delved into many of the far-reaching effects of this twentieth-century phenomenon.

Several valuable appendices have been included in the volume.

**Psychology of Advertising.** By Harold Ernest Burt. Houghton Mifflin Company, Boston, 1938. 473 pages. \$3.00.

Though psychology is a comparative newcomer among the applied sciences and its concern with business problems dates back only through the past quarter-century, its role in modern marketing needs no comment. The application of psychological principles to advertising often marks the difference between success and failure.

This present volume is intended pri-

marily as a text for courses in the psychology of advertising. However, the work holds much to interest and aid the advertising executive, the copywriter, and the business man who prepares his own advertisements; with such readers in mind, the author has elaborated many technical points which might otherwise be taken for granted. This book is expertly written, and the subject matter is presented in an unusually readable manner. Sixty-three illustrative tables are interspersed through the text.

Among the topics treated are: the development of psychology in advertising; methods employed in advertising psychology; suggestion; long-circuit appeals; position of advertisements; attention and size; intensity, motion, contrast, and isolation; color; pictures in advertising; typography; memory devices; trade marks and trade names; radio as an advertising medium.

## Briefer Book Notes

**MONETARY REFORM IN THEORY AND PRACTICE.** By Paul Einzig. The Macmillan Company, New York, 1937. 343 pages. \$4.00. Dr. Einzig not only presents a bird's-eye view of monetary reform proposals, but gives the reader an insight into the tendencies and spirit of the monetary reform movement as a whole. The book reproduces the arguments for and against each proposal, describes how some have been applied in practice, and demonstrates how far it should be possible to coordinate the apparently conflicting schemes.

**MY ADVENTURES IN SELLING.** By Saunders Norvell. The Dartnell Corporation, New York, 1937. 211 pages. \$1.75. This is not a textbook on selling, but a collection of interesting sales anecdotes and stories of unusual sales achievements. Mr. Norvell, who is nationally known as a super-salesman, recounts not only his successful exploits but also those that failed; and he does not hesitate to spin occasional yarns of exceptional sales accomplishments in which others than himself have played the stellar roles.

**HOW TO SUCCEED IN RETAIL SELLING.** By Ray Morton Hardy. Harper & Brothers, New York, 1938. 190 pages. \$2.00. A practical manual to help salespeople do a better and more profitable job of selling. The author subordinates theory to dramatic

narrative and specific human interest stories showing just how the various steps in the retail sale should be conducted. A helpful appendix of exercises and projects for use with groups or individuals is included.

**HEALTH INSURANCE.** By Louis S. Reed. Harper & Brothers, New York, 1937. 281 pages. \$3.00. A plea for the necessity of including public health insurance in the federal Social Security program. Mr. Reed shows why the public is dissatisfied with present medical facilities and presents the case for insurance as the next step in meeting the need for more adequate medical treatment for people of moderate means.

**ECONOMIC PLANNING AND INTERNATIONAL ORDER.** By Lionel Robbins. The Macmillan Company, New York, 1937. 330 pages. \$2.50. An analysis from an international point of view of the economic significance of various types of planning: viz., national tariffs, quotas, trade monopolies, and socialism; international trade agreements, production control, and regulation of wages and hours of labor; international communism and liberalism. Professor Robbins pays particular attention to the effects on international political relations of the different types of policies discussed.

**AIR CONDITIONING IN SUMMER AND WINTER.** By Richard E. Holmes. McGraw-Hill Book Company, Inc., New York, 1938. 296 pages. \$3.00. Provides an elementary, comprehensive treatment of the science of air conditioning. This text is suitable for men in practice who wish an understanding of the practical problems of designing and installing air-conditioning apparatus for both summer and winter conditions and of the principles and methods by which these problems are worked out.

**SELECTED TABLES FOR BUSINESS AND FINANCIAL CALCULATIONS.** By Theodore Lang and William S. Schlauch. The Ronald Press Company, New York, 1937. 182 pages. \$2.50. An extensive selection of tables designed for rapid solution of problems involving simple and compound interest, discounts, annuities, present worths, etc. Included in the volume are simple illustrations showing how the tables may be used for their maximum application and how they may be applied to a range of problems wider than is ordinarily realized.

**HOW TO ORGANIZE AND CONDUCT A MEETING.** By W. H. F. Henry and Dr. Levi Seeley. Noble and Noble, Publishers, Inc., New York, 1938. 133 pages. \$1.50. A simplification of parliamentary law for use in schools and colleges and for the person who may be called upon to preside at a public meeting or to take charge of a society or club. Revised edition.

**HOW TO FILE BUSINESS PAPERS AND RECORDS.** By Allen Chaffee. McGraw-Hill Book Company, Inc., New York, 1938. 186 pages. \$2.00. Tells everything needed by the business office manager who wishes to select the best filing system for his purposes and by the file clerk who wishes to become expert in this branch of office work. Covers all types of systems, equipment, methods of setting up and operating systems, how to index, etc.

**ADDRESSING THE PUBLIC.** By Anne Tillery Renshaw. The Renshaw School of Speech, Washington, D. C., 1937. 87 pages. A brief but useful manual for professional speakers. The author was formerly instructor in public speaking at Pennsylvania State College and The George Washington University.

**PUBLIC UTILITY RATE MAKING AND THE PRICE LEVEL.** By E. M. Bernstein. The University of North Carolina Press, Chapel Hill, 1937. 142 pages. \$2.50. Discusses the development of the public utilities rate-making rule and its procedure, the difficulties experienced under this rule, and the new methods of rate-making used by commissions during the recent period of rapid price fluctuations. Professor Bernstein outlines a reasonable solution to the rate-making problem.

**ARBITRATION AND THE NATIONAL LABOR RELATIONS BOARD.** Compiled by Egbert Ray Nichols and James W. Logan. The H. W. Wilson Company, New York, 1938. 345 pages. 90 cents. A debaters' handbook based on the current Pi Kappa Delta debate subject: *RESOLVED, That the National Labor Relations Board should be empowered to enforce arbitration of all industrial disputes.* Included in the volume are extensive bibliographies and many excellent articles on the labor situation, the present labor law, and arbitration.

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